

AR (M) 21/03
Minutes: 30 - 48

NHS GREATER GLASGOW AND CLYDE

**Minutes of the Meeting of the
Audit and Risk Committee
held via Microsoft Teams
on Tuesday, 14 September 2021**

PRESENT

Ms. M Kerr (in the Chair)

Ms. J Forbes	Ms. K Miles
Cllr. J Clocherty	Mr. C Vincent
Ms. M Wailes	Cllr. J McColl
Ms. S Brimelow	Mr. M White

IN ATTENDANCE

Prof J Brown	..	Chair
Mrs J. Grant	..	Chief Executive
Ms. L Aird	..	Assistant Director of Finance
Ms. J Haynes	..	Corporate Service Manager for Governance
Mr. C Brown	..	Azets
Ms. R Weir	..	Azets
Mr J Cornett	..	Audit Scotland
Ms. L Duthie	..	Audit Scotland
Ms. L Maconachie	..	Audit Scotland
Mr. M Gill	..	BDO
Mr. Z Barlow	..	Secretariat (Minutes)

		ACTION BY
30.	WELCOME AND APOLOGIES	
	The Committee noted that no apologies were received.	
	The Chair welcomed new Audit & Risk Member, Ms Susan Brimelow to the Committee.	
	NOTED	

31.	DECLARATIONS OF INTEREST		
	The Chair invited members to declare interest in any of the agenda items being discussed. There were no declarations of interest. <u>NOTED</u>		
32.1	MINUTES OF THE MEETING HELD ON 22nd JUNE 2021		
	The Committee considered the minute of the meeting held on Tuesday 22 nd June 2021 [Paper No AR (M)21/02] and were content to approve them as an accurate record. <u>APPROVED</u>		
32.2	ROLLING ACTION LIST		
	The Committee reviewed the Rolling Action List and were content to accept the recommendation to close 4 actions. The Chair advised that the action at minute 6.2 regarding a meeting to discuss the NHSGGC Annual Audit Plan 2020/21 did not take place, however, she advised that the external auditors had received all required information for their audit and therefore proposed to close the item. The Committee were content to accept the Chair's recommendation, taking the total number of closed actions to 5. <u>APPROVED</u>		
33.1	MINUTES OF MEETINGS		
	RISK MANAGEMENT STEERING GROUP HELD ON 18th AUGUST 2021		
	The Committee were content to note the minutes of the meeting held on 18 th August 2021. <u>NOTED</u>		
33.2	INFORMATION GOVERNANCE STEERING GROUP HELD ON 24th AUGUST 2021		
	The Committee were content to note the minutes of the meeting held on 24 th August 2021. <u>NOTED</u>		

34	ANNUAL REVIEW OF CORPORATE GOVERNANCE	
	<p>The Committee considered the paper “Annual Review of Corporate Governance” presented by Ms J Haynes, Corporate Service Manager for Governance.</p> <p>Ms Haynes explained the purpose of the paper, which asked the Committee to endorse the following combined governance framework; Code of Conduct for members of NHSGGC, the NHS Board Standing Orders including Decisions reserved for the NHS Board, the Standing Financial Instructions, Scheme of Delegation, and the Standing Committees Terms of Reference.</p> <p>It was noted that work was underway to develop the Board’s approach to Active Governance and defining an Assurance Framework. This included development of an Information Assurance System which was likely to result in further review in terms of Committee remits and the Scheme of Delegation.</p> <p>The Audit and Risk Committee noted the work undertaken to review the governance framework across NHSGGC to ensure an annual update; noted that further alteration may be required as part of the work underway to develop the Board’s approach to Active Governance and defining an Assurance Framework, and to develop an Information Assurance System; and endorsed the key elements of the governance framework for onward approval by the NHSGGC Board.</p> <p><u>NOTED</u></p>	
35.	STANDING GOVERNANCE COMMITTEE ANNUAL REPORTS	
	<p>The Committee considered the paper “Standing Governance Committee Annual Reports” presented by Ms J Haynes, Corporate Service Manager for Governance.</p> <p>Ms Haynes advised that the paper presented was in addition to the Annual Review of Governance agreed in June 2019. Each Board Standing Governance Committee was required to submit an Annual Report to ensure that each Committee was fulfilling their terms of reference. The Audit & Risk Committee received reports for the period 1st April 2020 to 31st March 2021.</p> <p>The Committee noted that throughout 2020/21, NHSGGC had focused significant effort on the organisational response to the COVID-19 pandemic, and as such, it was necessary to review the running of governance committees during this period. Amended governance arrangements were in place during April 2020 to June 2020, and from January 2021 to March 2021. Subsequently, governance committees were temporarily suspended during these times. During the period April to June 2020, an Interim Board was established to ensure risks to</p>	

	<p>effective operations management and good governance remained at an acceptable level. From the period January 2021 to March 2021, NHSGGC Board meetings continued to operate remotely to carry out this function.</p> <p>The Audit and Risk Committee were content to endorse the Annual Reports submitted from the Board Standing Governance Committee Chairs.</p> <p><u>NOTED</u></p>	
36	ENDOWMENTS FUNDS ACCOUNTS	
36.1	ENDOWMENT FUNDS AUDITOR’S REPORT	
	<p>The Committee considered the paper “Endowments Funds Auditors Report” presented by Mr M Gill, BDO. The report provided a summary of the results of completing the planned audit approach for the year end 31 March 2021, specific audit findings and areas requiring further discussion.</p> <p>Mr Gill provided an overview of the key elements of the report and highlighted that there had been investments materiality of £1,829,000 based on gross assets. Specific materiality of £270,000 based on total income was used for all other financial statement areas.</p> <p>Mr Gill asked the Committee to confirm any awareness of fraud on the endowment funds. Members confirmed no instances of fraud had been reported.</p> <p>Mr Gill highlighted the mandatory risks of management override and revenue recognition but also other risks including investments.</p> <p>Mr Gill advised that no significant issues had been identified over the recognition of income or during the testing of investments.</p> <p>Mr Gill advised that overall there were no identified inappropriate journals or evidence of bias or management override of control procedures during the audit.</p> <p>Large value journals posted were noted in period 10, with £22m disposal of investments and £22m acquisition of investments in the same month.</p> <p>Mr Gill highlighted only one unadjusted item of £55,000 found after the year-end.</p> <p>Mr Gill proposed to the Committee an unmodified, clean audit report for the year end 31st March 2021.</p> <p>Following question regarding outstanding testing, Mr Gill confirmed that testing had been complete. Information from the final test had just been</p>	

	<p>received and results would be shared with management buy the end of the day. Mr Gill assured the Committee that there were no anticipated issues to come from the report.</p> <p><u>NOTED</u></p>	
<p>36.2</p>	<p>DRAFT ENDOWMENT FUND ACCOUNTS FOR THE YEAR END 31 MARCH 2021</p>	
	<p>The Committee considered the paper “Draft Endowments Fund Accounts for the Year End 31 March 2021” presented by Ms L Aird, Assistant Director of Finance.</p> <p>Ms Aird highlighted from the report that the income for the year was £13.5M, which represented an increase of £3.5M compared with the prior year. The main change came from an increase in charitable activities of approximately £4.1M greater than the prior year, due mainly to increased levels of clinical trials/research income throughout the year.</p> <p>Total expenditure from unrestricted funds amounted to £1.8M, compared with £2.5M in the prior year. The reduction in expenditure was mainly due to higher spend in the prior year in the categories of building and property maintenance. Other than this, spend from General Fund included support for a range of patient and staff amenity expenditure.</p> <p>The year-end market value of the investment portfolio administered by Newton was £98.9M compared with £84.1M in the prior year. The increase in carrying value was due to net investment gains (realised and unrealised) of £14.8M. The year to 31 March 2021 seen significant improvements in stock markets globally more than wiping out the deterioration in the prior year at the onset of the COVID19 pandemic.</p> <p>The Chair suggested that the last paragraph on page 7 of the report discussing the Trustees’ policy on ethical investment be amended to read that the tobacco industry and production of alcoholic beverages are ‘included’ on the prohibited list, as the policy has a number of areas other than the tobacco and alcoholic industries that are deemed unethical.</p> <p>Ms Wailes advised that she was not included as part on the trustees’ list on page 3 of the report and asked that it be updated.</p> <p>In summary, the Committee were content to note the report by BDO, the Endowments Funds Auditor, along with the Endowments Funds Annual Accounts for the financial year ended 31st March 2021, and were content to recommend that the accounts were adopted by the Board of Trustees of the Endowments Fund.</p> <p><u>APPROVED</u></p>	

37.	NHSGGC ANNUAL REPORT AND ACCOUNTS	
	<p>The Committee considered the paper “Annual Report and Consolidated Accounts 2020-21” presented by Mr M White, Director of Finance.</p> <p>Mr White thanked the team involved in the preparation of the accounts throughout a challenging year.</p> <p>Mr White highlighted page 18 of the report, which referred to breakdown of the revenue resource limit, capital resource limit and total cash requirement. It was reported that there was a total of £240,000 surplus for the year against the core revenue resource limit.</p> <p>Additional costs of £176m had been incurred by the Board, used for dealing with the direct impacts of the COVID-19 outbreak. HSCP’s also had additional costs of £92m, however, the full £268m was funded by the Scottish Government.</p> <p>Mr White highlighted the performance report which showed the performance status of each measure with a total of 10 Green, 1 Amber and 3 Red. A number of actions were underway to address the red status measures including successful implementation of Phase 1 of the Redesign of Unscheduled Care.</p> <p>The Chair thanked Mr White and those involved in preparation of a comprehensive report, and noted this was a significant piece of work for both the External Auditors and Finance Team.</p> <p>Prof John Brown raised concern that there was no mention of corporate aims and objectives highlighted under the overview of specific roles of the Board on page 3 of the report. He also raised concern that not all Champions were listed under Non-Executive Board Member Roles of the Accountability Report. Mr White agreed to update the report with the suggestions made by Prof Brown.</p> <p>Ms Forbes suggested including reference in the report to prevention of delayed discharges within IJBs. Ms Forbes also raised concern regarding the headcount of staff on page 57 of the report showing the number of Senior Employees had dropped from 67 in 2020 to 34 in 2021. Ms Maconachie advised that the figure reported within the draft accounts was wrong and that the number of Senior Employees should be 62. Mr White agreed to look to include reference to prevention of delayed discharges within the report and would update the number of Senior Employees.</p> <p>The Chair advised that the table on page 58 regarding exit packages for 2020-21 was not clear and asked that it be revised. Mr White agreed to review the table before the accounts were presented to the Board.</p> <p><u>APPROVED</u></p>	<p>Mr White</p> <p>Mr White</p> <p>Mr White</p>

38.	EXTERNAL AUDIT PAPERS	
	<p>The Committee considered the paper “NHSGGC Annual Audit Report 2020/21” presented by Mr J Cornett, Audit Scotland.</p> <p>Mr Cornett advised that at the time of reporting a copy of the audited Endowment Fund Accounts and an updated financial returns from East Renfrewshire and Inverclyde IJB’s was required. Mr Cornett also advised that the audit was also still due to be subject to an internal quality control review, however, no issues were anticipated.</p> <p>Mr Cornett advised that Audit Scotland’s work has provided an unqualified opinion on the accounts. Mr Cornett reported that the accounts had been prepared to a high standard and that excellent support had been received from the Board’s Finance team.</p> <p>Mr Cornett advised of accounts adjustments that were made including PPE costs of £27.8M and total misstatements of £58M mainly due to waiting list initiatives from the Scottish Government. Appropriate alternative accounting treatment had been agreed with officers including £20M to Glasgow City IJB to be used as required for waiting list backlogs for future years and the return of £28M to the Scottish Government. Other findings and adjustments were related to clinical and medical negligence claims, payments to hospices and £500 bonus payments, and non-current asset revaluation.</p> <p>Following question from Ms Wailes regarding external views on NHSGGC waiting lists and transfers to IJBs, Mr White advised that in comparison to other Board’s with larger transactions, NHSGGC accrued more internally which is reflected within the accounts. Mr White highlighted that NHSGGC provide large amounts of elective treatments for other Board’s which enabled NHSGGC to accrue internally more easily which in totality the sum of money saved against NHSGGC’s obligation is proportionate.</p> <p>Ms Wailes also asked for clarity around verification of assets as it was area that was discussed by the Committee at the previous audit report. Ms Aird assured Ms Wailes that work was ongoing regarding the verification of assets and progress had been made however further work was required.</p> <p>It was confirmed that the matters that representation were sought were standard and that all parties were content to leave the remaining unadjusted item as unadjusted. The Chair thanked Mr Cornett and those involved in preparation of a comprehensive report, and noted this was a significant piece of work for both the External Auditors and Finance Team.</p> <p>Following consideration of both the NHSGGC Annual Audit & Accounts and external audit paper NHSGGC Annual Audit Report 2020/21, the Committee recommended, subject to the minor changes flagged and further typographical corrections, that:</p>	

	<ul style="list-style-type: none"> • The Annual Report and Accounts be adopted by the NHS Board; • The Chief Executive sign the Performance Report and Accountability Report; • The Chief Executive and the Director of Finance sign the Balance Sheet; and • The Statement of Accounts be submitted to the Scottish Government Health Directorates. <p><u>NOTED</u></p>	
39.	NSS SERVICE AUDITS	
	<p>The Committee considered the paper “NSS Service Audits” presented by Ms L Aird, Assistant Director of Finance.</p> <p>Ms Aird advised that the NSS Service Audit for 2020-21, payments to Primary Care Contractors, was qualified for the second year in a row. It was advised that the report was being presented to provide the Committee with assurance around the processes undertaken and the additional reviews commissioned. It was advised that the additional reviews concluded that the majority of issues leading to the qualification were administrative in nature rather than failures in control. The independent reviewer and Internal audit indicates that the risk of material mis-statement in financial statements of customer boards was low. The position would continue to be monitored by NSS and the customer boards on an on-going basis.</p> <p>The Committee were content to note the report and the actions taken by NSS to mitigate partner risk.</p> <p><u>NOTED</u></p>	
40.	FINANCIAL STATEMENTS 2020-21 – STATEMENT OF ASSURANCE AND REVIEW OF SYSTEMS OF INTERNAL CONTROL	
	<p>The Committee considered the paper “Statement of Assurance and Review of System of Internal Control” presented by Ms L Aird, Assistant Director of Finance.</p> <p>The paper included four recommendations, those being: that the Committee note the summary of System of Internal Control; approve the paper for submission to the NHS Board; approve the Governance Statements; and note the agreed position at the previous meeting that the Chair would notify the Health and Social Care Assurance Board that there were no significant issues of fraud.</p> <p>It was noted that, as accountable officers, Chief Executives of NHS Boards have the responsibility for maintaining a sound system of internal</p>	

	<p>control within their organisations and were required to sign a Governance Statement as part of the Annual Accounts.</p> <p>It was noted that the losses and compensations report was circulated late and the Committee were asked to provide comments back to Ms Aird by 15th September.</p> <p>The Committee agreed to approve the recommendation for the Director of Finance and the Accountable Officer to sign the Governance Statement and the relevant parts of the Financial Statement for submission to the Scottish Government. The Chair would complete the appropriate sign off on behalf of the committee.</p> <p><u>APPROVED</u></p>	<p>Members</p>
<p>41.</p>	<p>FRAUD REPORTS</p>	
	<p>The Committee considered the paper “Fraud Reports” presented by Mr M White, Director of Finance.</p> <p>The Committee were presented with 4 reports: Fraud Report; CFS Quarterly Report; CFS End of Year Report 2020-21; and Patient Exemption Checking Statistics Q1 2021.</p> <p>Mr White advised that the papers provide analysis of the level and types of enquires received during the period April to July 2021, as well as the ongoing fraud cases and progress on the National Fraud Initiative.</p> <p>The actions described in the paper assist NHS Greater Glasgow and Clyde to achieve the Better Value corporate objective by addressing the risk of financial loss through fraud or misuse of Board resources.</p> <p>Mr White highlighted that 26 allegations were received between the period April – July 2021 as well as 5 new fraud cases. During this period 2 staff were dismissed for gross misconduct and 7 staff were issued with first and final written warnings.</p> <p>The Audit & Risk Committee were content to accept the recommendation that the level and nature of detected fraud which has occurred within NHSGGC does not indicate that there are deficiencies within counter fraud arrangements nor significant weakness in the overall system of internal control within the organisation.</p> <p><u>NOTED</u></p>	

42.	INTERNAL AUDIT		
42.1	INTERNAL AUDIT PROGRESS REPORT – SEPTEMBER 2021		
	<p>The Committee considered the paper “Internal Audit Progress Report – September 2021” presented by Mr C Brown, Azets.</p> <p>Mr Brown advised that following agreement at the last Committee meeting, the first tranche of audits were underway. Following feedback from the Committee on the Audit Plan in June 2021, useful discussions had taken place with Ms Grant and Mr White which led to a refreshed version of the plan being produced. Additions to the audit programme had been agreed with management including support for management with NIS audit preparedness and IJB strategic planning and commissioning.</p> <p>There would be 5 scheduled reports presented to the Audit & Risk Committee in December 2021; IJB strategic Planning and Commissioning, Financial Systems Health Check – Procurement and Tendering, Recruitment, IT Project Review – HEPMA, and Management Action Follow Up Q3 2021/2022.</p> <p>The Committee were assured that satisfactory progress continued to be made.</p> <p><u>NOTED</u></p>		
42.2	INTERNAL AUDIT FOLLOW UP REPORT – Q1 2021/22		
	<p>The Committee considered the paper “Internal Audit Follow Up Report – Q1 2021/22” presented by Mr C Brown, Azets.</p> <p>Mr Brown reported that the total actions for follow-up were 31, with 11 closed off and 20 being carried forward into the next quarter. Good progress continued to be made, 10 actions remained partially complete with only two deemed as high risk.</p> <p>Mr Brown noted the substantial decrease in comparison to the previous quarter which reflected positively on management’s efforts to ensure the actions were closed.</p> <p>The Committee discussed issues with Statutory and Mandatory training however Mr Brown assured members that this was an issue across all Board’s and that work was ongoing to try and improve uptake of the training.</p> <p>The Committee noted good progress against actions on the Follow Up Report and thanked Mr Brown for the update.</p> <p><u>NOTED</u></p>		

42.3	INTERNAL AUDIT ANNUAL PLAN 2021/22	
	<p>The Committee considered the paper “Internal Audit Annual Plan 2021/22” presented by Mr C Brown, Azets.</p> <p>Mr Brown noted again that at the June 2021 meeting, an initial draft of the plan for 2021/22 was presented. Azets had received approval to commence the first tranche of reviews and requested feedback from management and ARC members on the rest of the plan. All feedback had since been collated and the plan was discussed with the Chief Executive and Director of Finance; who shared the proposals with the Corporate Directors; and produced this refreshed iteration of the plan for approval by the ARC.</p> <p>Ms Wailes advised that certain categories including culture, whistleblowing and capital planning within Appendix 2 – Internal Audit Universe do not line up with the categories listed within the Corporate Risk Register. Following discussion, the Chair clarified that the Internal Audit Plan should provide a clear link between the internal audit work planned and the Board’s corporate risks, it was agreed that seeking that linkage should not delay the ARC’s approval of the plan, nonetheless the Committee sought clarification from the auditors of that linkage. Azets agreed to review the suggestions.</p> <p>The Audit & Risk Committee were content to approve the Internal Audit Plan for 2021/22.</p> <p><u>APPROVED</u></p>	Azets
43.	RISK MANAGEMENT	
43.1	RISK MANAGEMENT STRATEGY, RISK REGISTER POLICY & RISK APPETITE STATEMENT	
	<p>The Committee considered the paper “Risk Management Strategy, Risk Register Policy & Risk Appetite Statement” presented by Mr M White, Director of Finance.</p> <p>Mr White advised that the first paper of the pack was the Risk Register Policy & Guidance which was being presented for approval. Mr White explained that the original version of the document was agreed by Risk Management Steering Group on the 18th August 2020 and the CMT on the 3rd December 2020. In April 2021, Azets concluded a review of Risk Management arrangements that included recommended changes to the document. Following further comment from Board Members and following the June ARC the final changes were made. Mr White asked the Audit & Risk Committee to approval the finalised Risk Register Policy & guidance.</p>	

	<p>The Audit & Risk Committee were content to approve the Risk Register Policy & Guidance.</p> <p><u>APPROVED</u></p> <p>Mr White presented the second paper, Risk Management Strategy which was also for approval. The strategy focussed on the Board’s approach to Risk Management and had been updated following the June Audit & Risk Committee. The document had been agreed by the Risk Management Steering Group on 18th August 2021 and was being presented to the Audit & Risk Committee for approval.</p> <p>The Audit & Risk Committee were content to approve the Risk Management Strategy.</p> <p><u>APPROVED</u></p> <p>Mr White presented the Risk Appetite Statement for awareness to the Committee.</p> <p>The Board considered an earlier draft of the Statement in July 2021 which responded in a range of feedback. A number of amendments have been made to the Statement and the updated version was included within the papers at Appendix C.</p> <p>To ensure all feedback is correctly conveyed, interpreted and reflected in the Statement, a working group had been convened to ensure the Statement is finalised for approval at the Board meeting in October 2021. This will include any output from the Audit & Risk Committee.</p> <p>Following a question regarding the appointment of a Chief Risk Officer, Ms Aird advised that the post was currently being recruited to and interviews had been scheduled for the end of the month.</p> <p>The Chair noted thanks to the Finance Team for the producing the 3 documents, noting that they were much clearer to read than previous versions.</p> <p><u>NOTED</u></p>	<p>SLWG</p>
<p>43.2</p>	<p>CORPORATE RISK REGISTER</p>	
	<p>The Committee considered the paper “Corporate Risk Register” presented by Mr M White, Director of Finance.</p> <p>Mr White explained that the Corporate Risk Register had been reviewed and updated with a number of risks added, removed and de-escalated which were details within appendix 3 of the paper.</p> <p>Mr White asked the Committee to accept the recommendation to approve the updated Corporate Risk Register.</p>	

45.	ANNUAL WHISTLEBLOWING REPORT	
	<p>The Committee considered the papers “Annual Whistleblowing Report” presented by Ms J Haynes, Corporate Service Manager for Governance.</p> <p>Ms Haynes advised that the purpose of the paper was to give Committee Members an overview of whistleblowing activity in 2020/21. Ms Haynes advised that the launch of new National Whistleblowing Standards took place on 1st April 2021, however, the report included performance activity based on the new Standards for good practice, and also detailed the improvement work that had taken place to ensure compliance with the Standards.</p> <p>The Audit & Risk Committee were asked to note the performance from the year 2020/21 and to note the improvement work undertaken to make the whistleblowing service effective, efficient, supportive and fit for purpose.</p> <p>Ms Haynes also advised that the Whistleblowing Report goes to both the Staff Governance Committee and the Audit & Risk Committee, and to avoid duplication, asked which single Committee it should report to in future.</p> <p>Following discussion around what would be involved in reviewing the Whistleblowing Report and appropriate Committee it was monitored by, it was agreed that the Chair would meet with the Joint Chairs of the Staff Governance Committee and the Chairman of NHSGGC to discuss the future monitoring of Whistleblowing.</p> <p>The Audit & Risk Committee were content to note the report.</p> <p><u>NOTED</u></p>	Chair
46.	AUDIT & RISK ANNUAL CYCLE OF BUSINESS	
	<p>The Committee considered the paper “Audit & Risk Annual Cycle of Business” presented by Ms J Haynes, Corporate Service Manager for Governance.</p> <p>Ms Haynes advised that the Cycle of Business had been updated since being presented to the Committee in June 2021.</p> <p>The Chair noted that the Cycle of Business had been rearranged due to meeting cancellations and would look to liaise with the Secretariat Team around the Cycle of Business for 2022.</p> <p><u>NOTED</u></p>	

OFFICIAL SENSITIVE
DRAFT – TO BE RATIFIED

47.	CLOSING REMARKS AND KEY MESSAGES TO THE BOARD		
	The Chair concluded the formal business of the meeting and noted that the draft September minutes of the Audit & Risk Committee would be presented to the Board with approval of the annual accounts. <u>NOTED</u>		
48.	DATE AND TIME OF NEXT MEETING		
	Tuesday 14 th December 2021, 09.30am, Microsoft Teams		